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COUNTRY: Philippines

CIA

SUBJECT: Acute Shortage of Flue-Cured Tobacco

DATE 19 Aug. 53

Supplement to:

Responsive to:

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1. There is an acute shortage of US tobacco in the Philippines caused by the legislation of three years ago which ordered a progressive decrease in imports of US leaf. This law was intended to conserve dollars and to encourage the growing of domestic flue-cured tobacco and make the Philippines self-sufficient in this commodity. The islands, however, have never been able to produce enough flue-cured leaf, despite the establishment of a re-drying plant, and since this year the law permits the importation of only 14 million pounds or half of the annual requirements there is simply not enough tobacco for the cigarette factories. The law requires that all US-type cigarettes contain 10 per cent native leaf, but the country has never been able to produce even this much. Consequently, when a cigarette manufacturer advertises for domestic leaf in the paper and receives no response, he takes his ad to the authorities and requests that amount of imported leaf. Meanwhile, the re-drying plant announces that millions of pounds of domestic flue-cured are available, which is a definite untruth. The result of all this is that a number of smaller factories are closing down due to lack of tobacco.
2. The situation is closely related to the presidential campaign in that no political body is willing to do anything to relieve the shortage for fear that such efforts might backfire against them. The ICC has been abolished due to corruption which was rife among its components, and tobacco quotas have been placed in charge of the Monetary Board of the Central Bank. This group can do nothing as yet because it has not received and assimilated the figures and accounts of the ICC. In consequence, no

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one knows exactly what the consumption of US imported flue-cured has been to date. Estimates range from seven to 12 million pounds of the 14 permitted by law. [] between nine and 10 million have already been consumed, leaving less than a third of the quota for the remainder of the current year. Some manufacturers are keeping going by buying the remaining stocks of the companies which have had to close. Also, it is believed that some of the larger companies have stocks on hand which they were able to procure by graft from the defunct ICC. [] there will be no relief until after the election.

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3. The native Philippine flue-cured will never be acceptable to the local smokers because it has neither flavor nor aroma and even when produced in quantity can be used only as a filler. One cigarette manufacturer has done a good deal of experimentation with this native product and showed me the results. As long as the tobacco remains intact on its stem it retains its color, but he showed me a jar of leaf which he had cut up as if for cigarettes and then sealed in the air-tight jar. At the end of 90 days the tobacco had darkened to the extent that it was undistinguishable from the native tobacco used in the cheap domestic cigarettes. Since the Filipinos who prefer US-type cigarettes demand a bright color, my friend said they will never be satisfied with flue-cured which reverts to the domestic type.

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